

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6999**

**BILL NUMBER:** SB 338

**NOTE PREPARED:** Jan 8, 2003

**BILL AMENDED:**

**SUBJECT:** ICHIA Expenses and Assessments.

**FIRST AUTHOR:** Sen. Meeks R

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill limits the annual total assessment to members of the Comprehensive Health Insurance Association to \$100,000,000. The bill provides for assessment of an annual net loss of more than \$100,000,000 to the state General Fund. The bill also limits payments under an Association policy to \$1,000,000 during an insured's lifetime.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** If the net operating loss of the ICHIA program exceeds \$100 M, the excess shall be paid from the state General Fund. Based upon data presented to the State Budget Committee, the assessments for 2003 are projected to exceed the \$100 M threshold by approximately \$5.6 M. The Executive Director of ICHIA stated that new cost control mechanisms put in place in recent months may control total program costs. As such, it is unclear as to whether the net cost of the program will exceed \$100 M in 2003 or in later years (see the table below for assessment history and forecast).

### ICHIA Assessments

Year	Assessment	Percent Change
1997	\$18,791,177	10.48%
1998	\$25,907,143	37.87%
1999	\$24,130,087	-6.86%
2000	\$34,816,164	44.29%
2001	\$61,406,500	76.37%
2002*	\$79,127,224	28.86%
2003*	\$105,574,277	33.42%

\* Estimates based upon data presented to State Budget Committee by Connie Brown, MPlan, 11/12/02

There are 27 individuals with ICHIA policies that have exceeded \$1 M. Of these, 18 still maintain an ICHIA policy. If the \$1 M cap were put in place, these individuals would be displaced from the ICHIA program. The exclusion of these individuals from the ICHIA program may lower total expenses and reduce the amount of annual assessments. However, the total effect this will have on annual assessments is dependent upon the number of individuals that hit this cap in a given year and the number of new individuals that obtain coverage under the ICHIA program.

*Background:* All carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana are members of the Indiana Comprehensive Health Insurance Association (ICHIA). ICHIA is funded through premiums paid by individuals obtaining insurance through ICHIA, by assessments to member companies (excluding self-insurers preempted by ERISA), and the state General Fund. To be eligible, Indiana residents must show evidence of: (1) denied insurance coverage or an exclusionary rider; (2) one or more of the "presumptive" conditions such as AIDS, cystic fibrosis, or diabetes; (3) insurance coverage under a group, government, or church plan making the applicant eligible under the federal Health Insurance Portability and Accountability Act (HIPAA); or (4) exhausted continuation coverage (e.g., COBRA). Premium rates must be less than or equal to 150% of the average premium charged by the five largest individual market carriers.

The net losses of ICHIA (the excess of expenses over premium and other revenue) are made up by assessments on member insurance carriers. Members may, in turn, (1) take a credit against Premium Taxes, Adjusted Gross Income Taxes, or any combination of these or similar taxes; or (2) include in the rates for premiums charged for their insurance policies amounts sufficient to recoup the assessments.

Beginning October 31, 2002, insurers are required to report the amount of assessments paid and tax credits taken each year. Data from CY 2001 is currently incomplete. However, preliminary data indicate that ICHIA assessments in 2001 exceeded tax credits taken by approximately \$10.3 M.

### **Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Comprehensive Health Insurance Association.

**Local Agencies Affected:**

**Information Sources:** Doug Stratton, Executive Director, ICHIA, 317-877-5376; Testimony of Connie Brown of MPlan to the Budget Committee on November 12, 2002.

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